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## Clinton Social Security “Plan”: Misleading — And Dangerous

Whether it’s simply self-delusion or an attempt to delude America, President Clinton continues to operate under the assumption that if you tell a lie long enough and loud enough that it somehow becomes the truth. It doesn’t. As a result, the latest iteration of his “plan” to “save Social Security” by “crediting” resources to the Social Security Trust Fund is no less a fraud than when he first proposed it earlier this year. Worse than a transparent gimmick, it’s a dangerous game for the Clinton-Gore Administration to play, misleading America’s seniors with empty promises.

President Clinton’s “plan” does not change the bottom line facing all America:

- ▶ Social Security is a pay-as-you-go program that uses today’s receipts to pay today’s benefits and tomorrow’s receipts to pay tomorrow’s benefits. Nothing in President Clinton’s claimed “plan” would change this.
- ▶ The President’s “plan” does nothing to change the real crisis date — 2014 — when Social Security receipts are no longer sufficient to pay benefits. Not by a single day. Not by a single additional cent.

If this were no more than the usual Clinton political gimmick, it would be appropriate for policy makers simply to dismiss it. However, this “plan” contains policy dangers requiring strenuous rejection.

### What’s Dangerous About the Clinton Plan?

- ▶ The President’s “plan” *would destroy the basic self-funding aspect* of Social Security: Social Security would become simply a blatant income-redistribution mechanism — in short, a welfare program. Policy makers should not be eager to see payroll tax contributions “supplemented” by a “crediting” of general fund revenues.
- ▶ Second, the “crediting” of general fund revenues to Social Security *would give the illusion* that Social Security had been strengthened — while in reality doing nothing to provide the actual resources necessary to meet the 2014 shortfall. This illusion will only serve to forestall the serious decisions that must be made to guarantee the long-term viability of Social Security — decisions that the Clinton-Gore Administration insists on avoiding.

- ▶ Third, simply “crediting” money to Social Security *does not keep those funds from being spent*. Clinton’s latest budget shows the danger. The Congressional Budget Office estimates the Clinton budget would spend all the non-Social Security surplus — plus \$29 billion of the Social Security surplus over the next 10 years. Clinton cannot honor the current commitment to not spend Social Security funds, even with almost a \$1-trillion surplus. Why trust him with an additional commitment?

## **Latest Clinton Social Security “Plan”: Just Phony Baloney**

The President began his speech this past Saturday with the statement: “The American people deserve more than confusion, double-talk and delay on this issue.” Ironically, his Social Security provides all three — “confusion, double-talk and delay.” Saturday’s announcement was a revision of a plan the President proffered last January. (Regretfully, he tried the same thing with Medicare.) This gimmick amounts to crediting and then compounding phony resources into claims of increased solvency. What’s important about this plan is not what it does, but what it fails to do: again, recall that the Social Security trustees currently project that payroll taxes will be unable to meet benefit payments in 2014; and, under the Clinton proposal, payroll taxes would still be unable to meet benefit payments in 2014 — it buys not a single day.

Spelled out, the phony solution would:

- Set aside the entire Social Security surplus from fiscal years 2000 to 2011. On this one point Congress is in agreement. (However, recall that the President in his own budget plans to spend \$29 billion over the next 10 years of this Social Security surplus.)
- Make “additions” to Social Security’s books from 2011-2016 equal to the federal debt service payment savings resulting from having set aside the Social Security surplus from FY 2000-2010. (These additions would amount to \$950.7 billion.)
- Make similar additions from 2017-2044, which would equal the \$215.5 billion payment FY 2016. (These 2017-2044 additions would total \$6.034 trillion.)

All told, Clinton’s “additions” add up to \$6.985 trillion over the FY 2011-2044 period. This roughly \$7-trillion Clinton “addition” would, through compounding interest on Social Security’s books, grow to \$34 trillion in 2050. Despite this blizzard of budgetary baloney, not a single cent of actual money will have to be used to fill this \$34 trillion commitment — not a single cent of actual money would ever go into Social Security.

## **Don’t Just Take Our Word For It — Others Decry Clinton’s Play**

Don’t just take our word that President Clinton’s latest Social Security proposal is a dangerous play. Look at what outside budget experts are saying about the Clinton proposal.

When presented with the same proposal to “credit” Social Security with additional resources, **David Walker, Comptroller General of the General Accounting Office**, in testimony before the Senate Budget Committee this past February stated:

"[President Clinton's Social Security proposal] does not come close to 'saving Social Security'. . . . Under the President's proposal, the changes to the Social Security program *will be more perceived than real*: although the trust funds will appear to have more resources as a result of the proposal, nothing about the program has changed." [italics added]

**Federal Reserve Chairman Alan Greenspan** appearing before the Senate Banking Committee in July said this:

"I would very much prefer that we did not move in the direction of general revenues because in effect, once you do that, then you've opened up the system completely and the issue of what Social Security taxes are becomes utterly irrelevant. . . . And I'm not terribly certain that serves our budgetary processes in a manner which I think is appropriate."

Nor are these expert verdicts in defiance of previous analyses. In testimony before the Senate Finance Committee in February, 1999, **Federal Reserve Board Member Edward Gramlich**, who served as chairman of the 1994-1995 Social Security Advisory Council, said:

"During the deliberations of the 1994-1996 Social Security Advisory Commission, we considered whether general revenues should be used to help shore up the Social Security program. This idea was unanimously rejected for a number of reasons. . . . There are serious drawbacks to relaxing Social Security's long-run budget constraint through general revenue transfers."

Outside experts also dismiss the Clinton proposal. **Gene Steuerle**, Senior Fellow, Urban Institute in his testimony before the Finance Committee in February, said:

"My own assessment is an additional transfer from the government's left hand [Treasury] to its right hand [Social Security] . . . *tends to mask too much*. The simple fact is that future taxpayers must cover the cost of the interest and principal on any gift of bonds from Treasury to Social Security." [italics added]

Even the **President's own FY2000 budget** (President's FY2000 Budget, Analytical Perspectives, p. 337) admits the artificiality of the Clinton proposal:

"These [trust fund] balances are available to finance future benefit payments and other trust fund expenditures — *but only in a bookkeeping sense*. These funds are not set up to be pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits." [italics added]

## **No Wonder Clinton Remains Defensive on Social Security and Spending**

It is not surprising that President Clinton remains defensive about Social Security and federal spending. His budget raids the former to pay for the latter. According to CBO, President Clinton's budget: increases federal spending \$1 trillion over the next 10 years; dips into the Social Security surplus for \$29 billion during three of the next 10 years; and, raises taxes by \$95 billion over the next 10 years to pay for the additional \$1 trillion in spending.

In order to divert attention from this, President Clinton has sought to tar Congress with his own failings. He falsely has claimed that Congress is spending the Social Security surplus. However, the differences between his own failing on Social Security and his spurious charges on Congress are plainly obvious:

- ▶ The Clinton-Gore Administration's final budget spends \$29 billion of the Social Security surplus in three of the next 10 years.
- ▶ Congress' final budget — the budget resolution — did not touch a single cent of Social Security . . . ever.

To divert from those two facts, the Clinton-Gore Administration has resorted to an apples-to-oranges comparison — seeking to label a mix-and-match hodgepodge of preliminary estimates of unfinished bills as Congress's "budget" instead of comparing Congress's final budget proposal to his own. The Clinton and Gore's Social Security sham is nothing more than the latest attempt to avoid scrutiny of their own budgetary failings, and their need to tap Social Security to pay for their increased spending.

## **Once a Sham, Always a Sham**

In his October 23rd radio address, President Clinton said his proposal contained "no gimmicks, no budgetary sleight of hand, just the right choices. . ." You decide. The President takes the pay-as-you go Social Security system and fails to reform it any way — "the right choices"? He then "credits" its books with \$7 trillion in paper transfers but no real money *after* he increases spending by \$1 trillion over the next 10 years — "no budgetary sleight of hand"? These paper transfers then would grow to \$34 trillion in 2050 — "no gimmicks"?

To believe all this you have to ask yourself: Do I trust President Clinton and do I trust him with the future of Social Security?

Written by Dr. J.T. Young, 224-2946